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浙 江 玻 璃 股 份 有 限 公 司

ZHEJIANG GLASS COMPANY, LIMITED

(A joint stock limited company incorporated in the People's Republic of China)
(Stock Code: 739)

PLACING OF NEW H SHARES AND RESUMPTION OF TRADING

Sole Bookrunner and Lead Manager

CAZENOVE

Cazenove Asia Limited

PLACING AGREEMENT

On 22 May 2008, the Company and Cazenove Asia Limited (as the Sole Bookrunner and Lead Manager) entered into a Placing Agreement under which the Company agreed to sell, and the Sole Bookrunner and Lead Manager agreed to procure, on a best effort basis, the Places to subscribe up to 64,166,000 new H Shares, with such maximum number of Placing Shares representing approximately 8.90% and approximately 20% of the existing registered capital and the existing issued H Shares of the Company respectively as at the Last Trading Day, at HK\$6.05 per Placing Share. The Placing Price represents (i) a discount of approximately 14.18% to the closing price of HK\$7.05 per H Share as quoted on the Stock Exchange on the Last Trading Day; (ii) a discount of approximately 13.79% to the average closing price of approximately HK\$7.02 per H Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day; and (iii) a discount of approximately 14.35% over the average closing price of approximately HK\$7.06 per Share as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day. The Placing Shares will be allotted and issued under general mandate granted to the Board at the annual general meeting held on 29 June 2007. The Placing Shares shall be placed to no less than six independent professional, institutional and/or individual investors selected and procured by the Sole Bookrunner and Lead Manager.

On the basis of 64,166,000 Placing Shares placed, the net proceeds of the Placing will be approximately HK\$382 million. The Company intends to use the net proceeds to expand the Company's glass production business and as working capital for the business development and expansion of the Group.

As of the date hereof, the Company has obtained CSRC's approval for issuance of the Placing Shares.

As the Placing is subject to the fulfilment of a number of conditions and may or may not proceed to completion, shareholders of the Company and prospective investors are advised to exercise caution when dealing in the Shares.

RESUMPTION OF TRADING

Trading in the H Shares on the Stock Exchange was suspended as from 9:40 a.m. on 22 May 2008. Application has been made by the Company for the resumption of trading in the H Shares on the Stock Exchange with effect from 9:30a.m. on 23 May 2008.

PLACING AGREEMENT

Date: 22 May 2008

Parties: The Company; and

Cazenove Asia Limited (as the Sole Bookrunner and Lead Manager).

Independence of the Sole Bookrunner and Lead Manager and the Placees

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Sole Bookrunner and Lead Manager and its ultimate beneficial owners are independent of the Company and its connected persons (as defined in the Listing Rules).

There will be not less than six Placees, who (and whose respective ultimate beneficial owner(s), if applicable) will be independent professional, institutional and/or individual investors selected and procured by the Sole Bookrunner and Lead Manager.

The Placees (and their respective ultimate beneficial owner(s), if applicable) will be third party independent of the Group and not connected persons (as defined in the Listing Rules) of the Group. No Placee will become a substantial shareholder (as defined in the Listing Rules) of the Company upon completion of the Placing.

The Placing

(i) *Placing Shares and the Placing Price*

The Sole Bookrunner and Lead Manager has agreed to procure, on a best effort basis, the Placées for the purchase of up to 64,166,000 Placing Shares at the Placing Price. Such maximum number of Placing Shares has an aggregate nominal value of RMB64,166,000 and represents approximately 8.90% and approximately 20% of the existing registered capital and the existing issued H Shares of the Company respectively as at the Last Trading Day. The Placing Shares will, when issued and fully paid, rank pari passu in all respects among themselves and with other existing issued H Shares upon issuance of the Placing Shares.

The Placing Price of HK\$6.05 per H Share was arrived at after arm's length negotiations between the Company and the Sole Bookrunner and Lead Manager. The net price per H Share is HK\$5.95 per H Share. The Placing Price represents:

- (a) a discount of approximately 14.18% to the closing price of HK\$7.05 per H Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 13.79% to the average closing price of the H Shares of approximately HK\$7.02 per H Share as quoted on the Stock Exchange over the last five consecutive trading days up to and including the Last Trading Day; and
- (c) a discount of approximately 14.35% to the average closing price of the H Shares of approximately HK\$7.06 per H Share as quoted on the Stock Exchange over the last ten consecutive trading days up to and including the Last Trading Day.

(ii) *Conditions of the Placing*

The Placing is conditional upon, among other things:

- (a) the necessary approval issued by the CSRC being in full force and effect upon completion of the Placing and a certified true copy of such approval being received by the Sole Bookrunner and Lead Manager;
- (b) the approval being granted (subject only to allotment) by the Listing Committee in principle and dealings of the Placing Shares being allowed by the Stock Exchange to commence on the Stock Exchange on or before the date of completion of the Placing (or such later date as the Company and the Sole Bookrunner and Lead Manager may agree) (and such listing and permission not subsequently being revoked);
- (c) no relevant government, governmental, quasi-governmental, statutory or regulatory body, court or agency having granted any order or made any decision that would make the Placing void, unenforceable or illegal, or restrict or prohibit the implementation of, or impose any additional material conditions or obligations with respect to the Placing (other than such orders or decisions as would not have a material adverse effect on the legal ability of the Company to proceed with the Placing); and
- (d) the Placing Agreement not being rescinded by the Sole Bookrunner and Lead Manager pursuant to the terms of the Placing Agreement.

If the above conditions (together with all other conditions precedent under the Placing Agreement) are not fulfilled by 28 May 2008, the obligations and liabilities of the Company under the Placing shall be null and void and the Company shall be released from all rights and obligations pursuant to the Placing, without prejudice to liabilities arising from any antecedent breach of any of the obligations and liabilities under the Placing Agreement.

(iii) Completion of the Placing

Completion of the Placing is expected to take place on 28 May 2008, or such other date as may be agreed by the Company and the Sole Bookrunner and Lead Manager in writing.

As the Placing is subject to the fulfilment of a number of conditions and may or may not proceed to completion, shareholders of the Company and prospective investors are advised to exercise caution when dealing in the Shares.

(iv) Lock-up Undertaking

The Company undertakes to the Sole Bookrunner and Lead Manager that (except for (aa) the allotment and issue of the Placing Shares pursuant to the Placing Agreement and (bb) any Shares or other securities or rights issued or granted to the shareholders of the Company by way of bonus or under any scrip dividend or similar arrangement providing for the allotment of the Shares in lieu of the whole or part of a dividend on the Shares in accordance with its articles of association or on the exercise of rights existing at the date of the Placing Agreement) from the date of the Placing Agreement until (and including) the date being six months after the date of the Placing Agreement it will not (without the prior written consent of the Sole Bookrunner and Lead Manager):

- (a) allot, issue, offer to allot or issue, grant any option, right or warrant to subscribe, offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of (either conditionally or unconditionally, or directly or indirectly, or otherwise) any H Shares or any interests therein or any securities convertible or exercisable for or substantially similar to any such H Shares or interests; or
- (b) enter into any swap or similar agreement that transfers, in whole or in part, the economic risk of ownership of such H Shares, whether any such transaction described in (a) above or in this paragraph is to be settled by delivery of H Shares or such other securities, in cash or otherwise; or
- (c) announce any intention to enter into or effect any such transaction described in (a) and (b) above.

Mr Feng Guangcheng, an executive Director and Chairman of the Company, gave undertakings in favour of the Sole Bookrunner and Lead Manager on terms similar to above in respect of his Domestic Shares.

(v) ***Rescission Events***

The Placing Agreement contains provisions granting the Sole Bookrunner and Lead Manager the right to rescind the Placing Agreement if certain events have occurred, or if the Sole Bookrunner and Lead Manager becomes aware that certain events have occurred, on or prior to the date of completion of the Placing. These events include, inter alia, (i) breach of the undertakings, warranties and representations set out in the Placing Agreement; (ii) any material adverse change in the business or in the financial or trading position or prospects of any member of the Group taken as a whole which is material in the context of the Placing; or (iii) any event, development or change (whether or not local, national or international or forming part of a series of events, developments or changes occurring of continuing before, on and/or after the date of the Placing Agreement) and including an event or change in relation to or a development of an existing state of affairs of a political, military, industrial, financial, economic, fiscal, regulatory or other nature, whether or not sui generis with any of the foregoing, resulting in a material adverse change in or which might be expected to result in a material adverse change in, political, economic, fiscal, financial, regulatory or stock market conditions and which in the sole and absolute opinion of the Sole Bookrunner and Lead Manager would prejudice the success of the Placing.

If the Sole Bookrunner and Lead Manager exercises its right to rescind the Placing the relevant Placing will not proceed. Shareholders of the Company and prospective investors are advised to exercise caution in dealing in the Shares.

(vi) ***Commission***

The Sole Bookrunner and Lead Manager will receive a placing commission of 1% of the aggregate Placing Price of the Placing Shares payable by the Company to the Sole Bookrunner and Lead Manager, which amount the Sole Bookrunner and Lead Manager is authorised to deduct from the payment to be made by the Sole Bookrunner and Lead Manager to the Company under the Placing Agreement.

GENERAL MANDATE TO ISSUE THE PLACING SHARES

The Placing Shares will be allotted and issued under general mandate granted to the Board at the last annual general meeting of the Company held on 29 June 2007. A maximum of 64,166,600 new H Shares are available under such general mandate for the Placing, of which up to 64,166,000 H Shares will be issued under the Placing. The issue of up to 64,166,000 new H Shares was approved by the CSRC on 28 February 2008.

EFFECT OF THE PLACING

On the basis of 64,166,000 Placing Shares placed, the table below sets out the changes to the shareholding structure of the Company as a result of the Placing:

Name of shareholders of the Company and class of Shares	Immediately before the Placing		Immediately after the Placing	
	Number of Shares held (shares)	Percentage of shareholding (%)	Number of Shares held (shares)	Percentage of shareholding (%)
(Domestic Shares)				
– Feng Guangcheng (<i>Note</i>)	384,000,000	53.27	384,000,000	48.92
– Feng Liwen	4,000,000	0.555	4,000,000	0.51
– Feng Guangji	4,000,000	0.555	4,000,000	0.51
– Xu Haichao	4,000,000	0.555	4,000,000	0.51
– Jin Jinlong	4,000,000	0.555	4,000,000	0.51
Placees (H Shares)	–	–	64,166,000	8.17
International Finance Corporation (H Shares) (<i>Note</i>)	<u>107,672,000</u>	<u>14.94</u>	<u>107,672,000</u>	<u>13.72</u>
Public (H Shares)	<u>213,161,000</u>	<u>29.57</u>	<u>213,161,000</u>	<u>27.15</u>
Total:	<u><u>720,833,000</u></u>	<u><u>100.00</u></u>	<u><u>784,999,000</u></u>	<u><u>100.00</u></u>

Note: As at the date of this announcement, a total of 120,000,000 Domestic Shares have been pledged to International Finance Corporation by Mr Feng Guangcheng, which represents 30% of the Domestic Shares as at the date of this announcement.

Upon completion of the Placing, the Company will make further announcement in relation to, among others, the number of H Shares actually placed and the amount of funds actually raised pursuant to the Placing.

REASONS FOR THE PLACING AND USE OF PROCEEDS

The Group is principally engaged in the business of manufacturing and sales of glass products and soda ash in the PRC.

On the basis of 64,166,000 Placing Shares placed, the total funds to be raised is approximately HK\$388 million, while the net proceeds of the Placing will be approximately HK\$382 million (i.e. the net proceeds per new Placing Share will be HK\$5.95). The Company intends to use the net proceeds to expand the Company's glass production business and as working capital for the business development and expansion of the Group.

In view of current capital market conditions, the Directors consider the Placing a good opportunity for the Company to raise further capital for the Company, will strengthen the shareholder and capital base of the Company and will facilitate the business development of the Group. The Directors (including the independent non-executive Directors) are also of the view that the terms of the Placing, the amount and percentage of the Placing commission, and the terms of lock-up under the Placing Agreement are fair and reasonable to the Company and its shareholders and that the Placing is in the interests of the Company and its shareholders as a whole.

APPLICATION FOR LISTING

An application will be made to the Listing Committee for the listing of, and permission to deal in, the Placing Shares.

FUND RAISING ACTIVITIES OF THE COMPANY IN THE 12 MONTHS ENDING ON THE DATE OF THIS ANNOUNCEMENT

The Company did not raise any funds from issuance of equity securities in the 12 months ending on the date of this announcement.

RESUMPTION OF TRADING

Trading in the H Shares was suspended from 9:40a.m. on 22 May 2008. Application has been made by the Company for the resumption of trading in the H Shares with effect from 9:30 a.m. on 23 May 2008.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Board”	the board of Directors;
“Business Day”	any day excluding Saturdays, Sundays and public holidays in Hong Kong) on which licensed banks generally are open for business in Hong Kong;
“Company”	浙江玻璃股份有限公司 Zhejiang Glass Company, Limited, a joint stock limited company incorporated in the PRC, whose H Shares are listed on the Stock Exchange;
“CSRC”	the China Securities Regulatory Commission;
“Director(s)”	director(s) of the Company;
“Domestic Share(s)”	the ordinary shares of RMB1.00 each issued by the Company, which are subscribed for in Renminbi or credited as fully paid up by PRC nationals;
“Group”	the Company and its subsidiaries;

“H Share(s)”	overseas listed foreign shares of RMB1.00 each in the share capital of the Company which are listed on the Stock Exchange and traded in HK\$;
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Last Trading Day”	21 May 2008, being the last trading day in the H Shares pending the release of this announcement;
“Listing Committee”	the listing committee of the Stock Exchange;
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange;
“Placees”	independent professional, institutional or other investors selected and procured by the Sole Bookrunner and Lead Manager to subscribe for any of the Placing Shares pursuant to the Placing Agreement;
“Placing”	the offer by way of private placing of the Placing Shares to the Placees on the terms and subject to the conditions set out in the Placing Agreement;
“Placing Agreement”	the placing agreement entered into between the Company and the Sole Bookrunner and Lead Manager on 22 May 2008 in relation to the Placing;
“Placing Price”	HK\$6.05 per Placing Share;
“Placing Shares”	up to a total of 64,166,000 new H Shares to be placed and issued to the Placees;
“PRC”	the People’s Republic of China and, for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region and Taiwan;
“Share(s)”	Domestic Shares and H Shares;
“Sole Bookrunner and Lead Manager”	Cazenove Asia Limited, a licensed corporation under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) to carry on Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities;

“Stock Exchange”

The Stock Exchange of Hong Kong Limited;

“%”

per cent.

By order of the Board
Zhejiang Glass Company, Limited
Feng Guangcheng
Chairman

Zhejiang Province, the PRC, 22 May 2008

As at the date of this announcement, the Board comprises (i) five executive Directors, namely Mr Feng Guangcheng, Ms Hong Yumei, Mr Gao Huojin, Mr Shen Guangjun and Mr Jiang Liqiang; (ii) two non-executive Directors, namely Mr Liu Jianguo and Mr Xie Yong; and (iii) four independent non-executive Directors, namely Mr Wang Yanmou, Dr Li Jun, Mr Su Gongmei and Mr Zhou Guochun.